

Message Text

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42

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00

CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 EB-07 OMB-01 AID-05 IGA-01

TRSE-00 FRB-03 COME-00 XMB-02 IO-10 /090 W

----- 026670

O R 241040Z APR 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC IMMEDIATE 2404

INFO AMEMBASSY BANGKOK

AMEMBASSY BERN

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMCONSUL ZURICH

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E.O. 11652: N/A

TAGS: EFIN, SN

SUBJ: BLOCKING OF CAMBODIAN ASSETS

FOR STATE AND TREASURY

REF: STATE 091120

1. EMBASSY WISHES TO ALERT DEPARTMENTS OF STATE AND TREASURY
THAT EXTENSION OF FOREIGN ASSETS CONTROL REGULATIONS TO CAMBODIA
MAY CAUSE SERIOUS PROBLEMS FOR US BANKS' OPERATIONS IN SINGAPORE.
US BANKS WITH BRANCHES OR ASIAN CURRENCY UNITS (ACU) HERE MAY
FIND THEMSELVES CAUGHT IN MIDDLE BETWEEN US TREASURY FAC
REQUIREMENTS ON ONE HAND AND SINGAPORE LAW AND REGULATIONS ON
THE OTHER. APPLICATION OF FAC TO OFFSHORE FUNDS (SUCH AS EURO-
DOLLAR/ASIAN DOLLAR DEPOSITS) AND COMMERCIAL BANKING OPERATIONS
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US BANKS' FOREIGN BRANCHES COULD POSE A SERIOUS THREAT TO

CONTINUATION OF US BANKS' OPERATIONS IN SINGAPORE, AND PERHAPS OTHER FINANCIAL CENTERS.

2. IT APPEARS THAT IF US TREASURY WERE TO REQUIRE LIST OF CAMBODIAN DEPOSITORS OR SIMILAR INFORMATION ON ACCOUNTS, SINGAPORE BRANCHES OF US BANKS COULD NOT PROVIDE THIS WITHOUT VIOLATING SINGAPORE LAW AND REGULATIONS GOVERNING BANKING SECRECY. EMBASSY IS AIR-POUCHING ADDITIONAL COPIES OF BANKING ACT, 1970 AND MONETARY AUTHORITY OF SINGAPORE (MAS) NOTICE TO BANKS BK 14, 11-1-73 (BANKING SECRECY). FNGB-SINGAPORE HAS BEEN REQUESTED TO SUPPLY SUCH A LIST TO ITS HEAD OFFICE IN NEW YORK.

3. SINGAPORE'S DEVELOPMENT AS A FINANCIAL CENTER HAS BEEN SUBSTANTIALLY BASED ON THE GROWTH OF THE ASIAN DOLLAR MARKET HERE AND US BANKS HAVE LED THE WAY. GOS IS LIKELY TO REACT STRONGLY IF IT FEELS EXTRATERRITORIAL APPLICATION OF US REGULATIONS MAY UNDERMINE THEIR POLICY OF DEVELOPING SINGAPORE AS FINANCIAL CENTER. THIS COULD JEOPARDIZE US BANKS PROFITABLE PARTICIPATION IN THIS DEVELOPMENT. THE BIG LOSERS WILL BE THE US BANKS, BUT SINGAPORE'S ATTITUDE TO US MULTINATIONAL COMPANIES AND US-SINGAPORE RELATIONS IN GENERAL CAN EXPECT TO FEEL SOME OF THE HEAT.

4. FNGB-SINGAPORE HAS IMMEDIATE PROBLEM WITH ASIAN DOLLAR TIME DEPOSIT BY CAMBODIAN AMBASSADOR TO MALAYSIA; HIS DEPOSIT MATURED APRIL 23 AND BANK HAS STALLED ON HIS REQUEST FOR REPAYMENT. CITIBANK'S LEGAL COUNSEL ADVISES THEM THAT AMBASSADOR COULD SUE IN SINGAPORE COURT AND WIN PAYMENT INCLUDING PUNITIVE DAMAGES. FNGB ALSO HAS US\$664,000 ASIAN DOLLAR DEPOSIT BY CAMBODIAN BANK WHICH MATURED APRIL 24 AND IS BEING BLOCKED, CAMBODIAN EMBASSY TO SINGAPORE'S ACCOUNT DENOMINATED IN SINGAPORE DOLLARS, AND NUMEROUS ACCOUNTS OF PRIVATE CAMBODIANS. INSTRUCTIONS FROM NEW YORK ARE REPORTEDLY CONFUSING AND INTERPRETED BY FNGB-SINGAPORE TO REQUIRE BLOCKING OF VIRTUALLY ALL CAMBODIAN ACCOUNTS. WE BELIEVE THE KEY PROBLEM HERE IS DEFINITION OF PRIVATE ACCOUNTS NOT TO BE AFFECTED.

5. AS PREVIOUSLY REPORTED, GOS HAS RECOGNIZED THE NEW CAMBODIAN GOVERNMENT AND CAMBODIAN EMBASSY HERE HAS DECLARED LOYALTY TO GRUNK.

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6. EMBASSY SENT COPIES OF ANNOUNCEMENT TO ALL KNOWN US FIRMS IN SINGAPORE, INCLUDING CHIEF OFFICERS OF US BANKS REPRESENTED OR OPERATING HERE PER REFTEL. FNGB IS ONLY BANK TO CONTACT US SO FAR. EMBOFF ADVISED THEM TO HAVE THEIR HEAD OFFICE SEEK CLARIFICATION OF THE REGULATIONS DIRECTLY FROM TREASURY. ALTHOUGH THE EMBASSY WOULD APPRECIATE EXPEDITIOUS RECEIPT OF FURTHER CLARIFICATION OF THE APPLICATION OF THE REGULATIONS, BELIEVE THE MOST APPROPRIATE CHANNEL FOR CLARIFYING USG POLICY TO BANKS

IS BETWEEN TREASURY AND BANK HEAD OFFICES IN THE US.

7. ACTION REQUESTED: IN VIEW OF INTEREST GOS IS EXPECTED TO DEVELOP IN THE APPLICATION OF FAC TO CAMBODIA, AND PERHAPS LATER TO VIETNAM, EMBASSY WOULD APPRECIATE GUIDANCE BEFORE GOS CALLS US ON THE CARPET. PLEASE ADVISE IF GOS HAS BEEN INFORMED THROUGH THEIR EMBASSY IN WASHINGTON. CRONK

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